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CURRENT INTELLIGENCE WEEKLY SUMMARY



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PART I**OF IMMEDIATE INTEREST****BLOC COMMENTARIES ON KHRUSHCHEV'S UN PERFORMANCE**

In his public speech in Moscow on 20 October, reporting on the results of his UN mission, Khrushchev elaborated on his proposals to reorganize the Security Council, the executive organs, and the office of the secretary general. He justified his activities in New York as not only worthwhile but necessary in order to raise the "fundamental" proposition that the UN is obsolete and must be reconstructed to reflect the actual balance of forces in the world. He implied that both India and Indonesia deserved permanent seats on the Security Council, and repeated his previous warnings that decisions taken by the UN would not be respected until a reorganization was effected. The Soviet view, he claimed, had gained sympathy and understanding among a number of important states.

Khrushchev used the disarmament issue as the basis for a vigorous reaffirmation of his position on points at issue with the Chinese Communists. He emphasized that Marxist-Leninists must adopt a realistic view of the world and realize that in the present balance of power it is necessary to seek solutions to the main international problems on the basis of peaceful coexistence. He described a nuclear war as causing unprecedented destruction and the death of "hundreds and hundreds of millions," and said, "Only adventurers can think that a change in the social order can be achieved by unleashing wars." Khrushchev also justified his position on disarmament as being

based on "realistic political, economic, and moral factors," in contrast to a position--by implication China's--of "fatalism and passivity" on the question of war and peace.

Khrushchev claimed a great victory on the question of the Soviet proposal for eliminating all colonies. He reiterated his statement concerning de facto recognition of the Algerian rebel government, and declared that there could be no "unity" with colonialism. In a reference to voting results he described as a "temporary thing" the fact the neutralist countries sometimes echo the colonial powers.

As to the future, Khrushchev cautioned against optimism on new disarmament talks. He described Western proposals as an "ill omen" which indicated that the West still refused to approach the question seriously. He again called for a special session of the UN General Assembly in March or April for heads of government to consider an agreement on disarmament principles, which would be submitted to a new 15-nation committee. As to a new summit meeting, he repeated his claim that agreement had been reached at Paris to convene another meeting.

In its propaganda Moscow has endeavored to create the impression that the Soviet premier set in motion forces which will open the way for future Soviet victories in the UN, closer cooperation between the bloc and

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the Afro-Asian states, and the ultimate destruction of the "US voting machine."

As Radio Moscow summed up the session, "The socialist states launched a far-flung and irresistible offensive, forcing the supporters of imperialism and colonialism to take up a defensive position." Soviet propaganda claimed that Khrushchev scored victories on several key issues. He was credited with an initial triumph in defeating Western attempts to prevent the meeting from becoming an "unprecedented top-level forum." Second, Moscow asserted that the discussion by the world's leading statesmen revealed that the West came to the meeting with nothing new or constructive to offer on pressing international problems.

Khrushchev was also pictured as gaining a "big victory" in focusing the debate on the issue of complete and general disarmament and immediate abolition of the colonial regimes. On both issues, Moscow claimed success in exposing Western opposition to disarmament discussions and in forcing the West to retreat on resisting a full-scale assembly debate on colonialism.

A principal theme which emerges from bloc propaganda is that the UN debates should not be appraised only in terms of initial successes, but viewed as a long-range effort begun by Khrushchev. Bloc media have picked up and featured Khrushchev's remarks that the USSR "sowed good seeds" which will inevitably bear fruit. The bloc has adopted this approach in

dealing with the adverse reaction to Khrushchev's proposals to revamp the UN executive machinery.

In an address after returning from New York, Czech President Novotny acknowledged that "for the time being" the neutral states did not want to go quite so far on the issue of revising the secretariat, "even though they are in general agreement and want a change...." Novotny also attempted to convey the impression that the voting record of the neutralists was in the process of shifting in favor of bloc positions. He stressed that "one must know and understand" that the reason for neutral opposition on certain issues was that they still have "illusions about the work of some UN committees" and fail to see through "US machinations."

Novotny also cautioned against accepting the participation of these countries in international politics "uncritically" or "overestimating it." He explained that the voting on the China issue revealed that many African countries "apparently do not yet have their bearings and are in many cases linked with the former colonial powers."

In his arrival speech in Budapest, party leader Kadar took a similar line in differentiating between the general debate and voting records. He portrayed the bloc and neutralist countries as firmly united in discussion on the issues, but claimed that "for the time being, the influence of the imperialists is decisive in voting," since votes are not yet determined

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by "arguments or convictions." Both Pravda and Izvestia also claim that the USSR was "let down" by inexperienced representatives of newly independent states and by other countries, such as Yugoslavia, which refused to raise their voices in support of Soviet proposals.

Sino-Soviet Dispute

Overtones of the dispute between Moscow and Peiping also figure in the Soviet public assessment of Khrushchev's UN activities and in bloc interpretations. Pravda on 15 October connected the Soviet views on foreign policy with the entire Communist bloc by claiming that Khrushchev "defended the Communist world outlook" in the international arena. As a result of this, Pravda asserts, the "leading role" of the Soviet Union in international affairs became "even more perceptible and obvious to every inhabitant of the earth...."

Speeches by three satellite leaders on their return to their own countries also stressed the importance of Soviet leadership and Khrushchev's paramount role, and made it clear that they were standing behind the Soviet premier's views of the correct course to be pursued in international relations.

Novotny devoted considerable attention to personal praise for Khrushchev and expressions of strong support for the "Leninist principle of peaceful coexistence," which he characterized as the basis for bloc policy during the UN session. Novotny also emphasized that the historic significance of the General Assembly debate was due to the untiring initiative reflected in policies of the Soviet Union and that Khrushchev's appearance and Soviet proposals were the

main contributions of the session.

Polish party First Secretary Gomulka also stressed that the Soviet proposals made in the UN constitute a platform for a world-wide struggle for peaceful coexistence. Kadar may have had the forthcoming world Communist meeting in mind when he ended his speech by calling for "loyalty to the alliance that ties us to the Soviet Union and the socialist camp."

In contrast to other bloc propaganda, Peiping has not lauded Khrushchev for his actions at the United Nations. Furthermore, unlike Moscow's summation of the session as a "far-flung and irresistible offensive" by the USSR, a Peiping People's Daily editorial on 19 October concluded that "the socialist camp headed by the Soviet Union was pushed around in a most outrageous way." The editorial intimated that the Soviet Union should draw from the session the lesson that the only hope for peace lies in resolute struggle against American imperialism, a struggle devoid of illusions about the United States or the UN, which is under its control.

Since the debate on the Chinese representation issue, the Chinese have devoted considerably more attention to the General Assembly proceedings and to Khrushchev personally. Peiping had previously been virtually silent on his activities. The contrast between Peiping's initial reticence and later attention indicates that the Chinese adopted a wait-and-see attitude toward Khrushchev and underscores the freedom of action they are taking toward Soviet moves.

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REPUBLIC OF THE CONGO

The UN's refusal to acquiesce in the arrest of Lumumba by Mobutu has continued the political stalemate in Leopoldville. Although Mobutu continues to take sporadic actions against Lumumba adherents, the protection afforded the deposed premier by the UN and the prestige which stems from occupying the premier's residence may enable Lumumba to wait out his opposition.

In contrast to Lumumba's protection from the UN, Mobutu remains dependent on the Congo's student bureaucracy and the poorly disciplined army. Several of the student "commissioners" have openly criticized Mobutu for failing to carry out his threat to arrest Lumumba. The almost total lack of discipline within the army was reflected in the recent departure from Leopoldville of one 120-man contingent despite a plea by Mobutu to stay.

UN Under Secretary Bunche on 17 October expressed to American officials his hope that "in a matter of weeks" the Congo Parliament might be reconvened and a government created "which the UN could support." In Leopoldville, however, neither Mobutu nor Lumumba appears anxious to reconvene Parliament. Mobutu adherents, while claiming the support of a majority of deputies, no longer propose the convening of Parliament for the purpose of stripping Lumumba of his legislative immunity. On 17 October, Mobutu announced that he would con-

tinue to exercise government power through the army and the student commissioners until the end of the year.

Mobutu's arrest of 16 pro-Lumumba politicians on 19 October appears to have been designed as a warning to demonstrators in Leopoldville, whose activities on behalf of Lumumba have taken a particularly violent turn in the past week. Most of those arrested were released the same day, probably after a search for incriminating documents such as those found among Lumumba's possessions in late September.

Press reports indicate that the leftist Antoine Gizenga, Lumumba's erstwhile vice premier, has proceeded to Stanleyville, possibly to scout the prospects for setting up a Lumumba "exile" government there. Although Orientale Province has been considered a Lumumba stronghold, its political leanings have been obscure since early October, when Mobutu's soldiers successfully arrested several pro-Lumumba leaders there, including Lumumba's brother.

In Katanga Province, President Tshombé's irritation with what he considers the limited extent of Belgian support, together with his apprehension over continuing tribal violence, has led him to improve his relations with the UN Command. In a joint communiqué issued on 17 October, Tshombé and the UN agreed on two areas in northern

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Katanga in which UN forces would be responsible for security against the depredations of anti-Tshombé Baluba tribesmen. Earlier, Tshombé had been extremely critical of UN efforts to maintain security. Tshombé has al-

so indicated a disposition to have all aid to Katanga channeled through the UN, despite the fact that such a move might reduce Belgian aid, as well as make Katanga dependent on the UN.

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SITUATION IN LAOS

Premier Souvanna Phouma has made several moves apparently designed to put his regime in a more favorable light as an effective vehicle for combating Communism in Laos. At his instigation, the National Assembly passed a resolution condemning Communism as incompatible with Laos' aspirations and claiming that Pathet Lao functionaries will in the future be integrated into the bureaucracy only if they forswear their allegiance to a "foreign ideology." The premier also canceled at the last minute another rally sponsored by the leftist Youth party and succeeded in having the party's headquarters moved from downtown Vientiane to an outlying area. Souvanna's rebuke of Captain Kong Le by placing him under technical house arrest was publicly attributed to Kong Le's unauthorized red-carpet reception for Soviet Ambassador-designate Abramov on his arrival in Vientiane on 13 October. A strong attack on the USSR by the Laotian UN delegate in a UN General Assembly committee on 18 October may also have been stimulated by Souvanna.

The Communist Pathet Lao has agreed to restore Sam Neua Province to the Souvanna government and to stop attacks on

Laotian Army elements loyal to the Souvanna government. The Pathet Lao negotiators insisted on the right, however, to determine for themselves which areas were loyal to Souvanna. Souvanna had previously made these demands as preconditions for continuation of the negotiations, which began in Vientiane on 13 October. Although government control in Sam Neua will probably only be nominal and the Pathet promise to stop attacks was somewhat less than categorical, the premier will probably choose to consider the Pathet Lao concessions sufficient to permit the talks to move on to discussion of substantive points at issue.

The Pathet Lao radio on 17 October broadcast a new version of Pathet terms for a settlement with the government, including unification of "all patriotic armed forces" and participation of the Pathet Lao's legal front--the Neo Lao Hak Sat party (NLHS)--in a coalition government. These demands probably represent a maximum bargaining position. The Pathet Lao may be willing to defer entry into a coalition government if Souvanna offers assurances of early elections. The immediate Pathet aim is

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leged to be developing in the Youth party, organized after Kong Le's coup and previously active in directing popular support for Kong Le. These indications are tentative but may become more pronounced in the absence of some new initiative by Kong Le or his lieutenants.

General Phoumi and his Savannakhet Revolutionary Committee appear to have consolidated their control of the Second Military Region following its break from Vientiane on 9 October. Phoumi has sent one of his top commanders, Col. Sourith, previously commander of Laos' paratroop battalions, to assume command of the region. His purview will be restricted to Xieng Khouang Province, however, since Sam Neua, nominally loyal to Souvanna, is probably under the

real control of the Pathet Lao.

probably to resume normal political activity through the NLHS so as to take advantage of the present favorable climate for such activity.

There are fragmentary indications that the forces backing Kong Le in Vientiane may be beginning to lose their cohesion. Morale is reported to be declining in the key Second Paratroop Battalion, the main basis of Kong Le's power, to take action independent of the Souvanna government. Factionalism centered on the issue of Communism is also al-

Newly designated Soviet Ambassador Abramov, whose post of residence is Phnom Penh, has not yet presented his credentials to the King. He apparently has lost no time, however, in indicating to Premier Souvanna the Soviet Union's willingness to provide aid. He also revived the subject of the International Supervisory and Control Commission (ISCC) for Laos by recalling in a public statement that the USSR was a co-chairman of the Geneva truce conference that set up the ISCC

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in 1954. Before the ISCC's disbandment in 1958, a move opposed by the Polish member, the presence of the group was a limiting factor in the government's efforts to suppress the Pathet Lao.

Radio Moscow has emphasized in its broadcasts the Souvanna Phouma government's declared adherence to the Geneva agreement and has also charged that

American representatives in Laos tried to wreck the talks between Souvanna and Pathet representatives. The United States was accused of "impudent interference" in Laotian internal affairs, and propaganda commentary stresses the legitimacy of the Souvanna regime in contrast with Phoumi's rebel clique, which is alleged to have American support. 25X1

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PART II

NOTES AND COMMENTS

CUBAN DEVELOPMENTS

The Cuban nationalization decrees of 14 October and the urban reform law of 15 October have the most drastic social and economic implications of any measures yet taken by the Castro regime. They virtually wipe out sources of income for the upper and upper-middle classes and give the state complete control over urban real estate.

The 382 businesses expropriated on 14 October, mostly Cuban owned, represent the bulk of large and medium companies that had remained in private hands, and they have an estimated total value of \$2 billion. They range from theaters and department stores to railways and the Bacardi rum distilleries. The seizures complete the government takeover of the sugar and textile industries. The move is frankly explained as a measure to "liquidate the privileges of certain economic classes" standing in the way of the revolution. Another law issued the same day nationalized all Cuban private banks.

The urban reform law

eliminates landlordism in Cuban urban areas. All leases are declared void and mortgages canceled. Rent payments are to be made to the state and applied toward purchase of the properties by the former renters at prices set by the government. Purchasers cannot resell without government permission, and the state is to have the first option to buy.

The government is to pay the former owners an income equivalent to what they had received in rent, but only up to \$600 per month; the excess goes to the state. Heirs of former owners get nothing. National and provincial urban reform councils are set up to implement the law, the objective of which is stated to be to provide "every family with a decent home." The law is likely to have an initial strong appeal to lower and middle income renters in the cities, where abusive real estate practices have long been prevalent.

Active opposition to Castro continues among scattered groups inside Cuba despite the fear instilled by recent executions and the increased government repression. Several hundred guerrillas are reported still active in the Escambray Mountains despite government claims that virtually all guerrilla forces have been liquidated.

the guerrilla groups are poorly armed and provisioned; among their biggest problems is a lack of unity and popular effective leaders.

A block-warden informant system, called for on 28 September by Castro to control counterrevolutionary activity in the cities, has reportedly already been instituted in Santiago, where the people appear thoroughly intimidated by recent developments.

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Although reports are still unconfirmed that Soviet MIG fighters have arrived in Cuba

thus far, such planes probably will soon be sent to Cuba if they have not yet been. Reports of construction work by Czech and Soviet personnel around Havana and near several air bases probably involve placement of antiaircraft guns and fire-control apparatus. Antiaircraft artillery, as well as machine guns and at least 100 jeeps, have been among the equipment in recent Soviet shipments.

Cuba appears about to recognize East Germany and would thus become the first non-Communist bloc state--except Yugoslavia--to do so.

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A Rumanian commercial delegation has arrived in Cuba, probably presaging diplomatic recognition and a trade agreement with Bucharest.

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BERLIN SITUATION

Khrushchev used his 20 October public speech in Moscow, reporting on his UN mission, to clarify the Soviet position on the Berlin question.

he reaffirmed his post-summit commitment to maintain the situation in Berlin if a new summit con-

ference is agreed on after the American elections, but provided there were no "provocations" by the West.

In the USSR's first authoritative response to Bonn's denunciation of the interzonal trade agreement, Khrushchev stated this could lead to a further deterioration of the Berlin

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situation, since East Germany would be forced to reply with economic measures. Khrushchev declared that "if any new policy is thrust on the bloc," the Western powers will bear the main responsibility. He called for both sides to refrain from steps which would aggravate the situation.

The East German regime has stepped up pressure on Bonn to open negotiations for a new interzonal trade pact, following West Germany's denunciation of the existing instrument on 30 September. After issuing a formal statement on 13 October calling for new talks, the regime now has threatened, although not explicitly, to disrupt traffic between West Berlin and Bonn if no agreement is reached.

In a Neues Deutschland article on 16 October, a medium-level Ministry of Foreign Trade official claimed that agreements on traffic would lapse when the trade pact expired on 31 December. He stressed that while the East Germans had "generously" granted official permits for movement of goods, this situation could not be expected to continue without a new contractual regulation. The threat was also extended to include East German electric power, gas, and water services to West Berlin, which the East German officials alleged are covered by an appendix to the trade agreement. Although West Berlin obtains some gas, electricity, and water from East Berlin and East Germany, the city is not dependent on the East for them.

In the official statement on 13 October, the Communist regime indicated that new talks

should be conducted on a governmental level, but thus far the East Germans have not rejected the use of the normal interzonal trade channels for negotiations. 25X1

A Soviet Foreign Ministry official on 5 October raised the Berlin problem in a conversation with an American Embassy officer and asked for American reaction to including all of Berlin in a free city. He denied that there was no alternative to making only West Berlin a free city, but explained that inclusion of East and West Berlin would have to be within the framework of a German confederation, with each

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sector of the city retaining a "large measure" of autonomy.

Although the USSR in official statements has rejected this approach on the grounds that East Berlin is the capital of East Germany, Moscow would probably hope to represent any such Western offer as a retreat from the fundamental position that

the occupation rights are based on Germany's unconditional surrender and cannot be the subject of bargaining apart from an agreement on German unification. The USSR would also claim that Western acceptance of the general concept of a free city constitutes recognition that the city's status is "abnormal" and should be changed.

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ALBANIAN POLITICAL SHAKE-UP

Factionalism in the Albanian Communist party, which became evident on 9 September with the announcement of the ouster of politburo member Belishova at a central committee plenum, apparently was aggravated by differences regarding Albania's

Since her ouster, the regime has assumed a less equivocal pro-Chinese position, as shown in party boss Hoxha's speech on the eve of the 1 October Chinese liberation anniversary and by the conduct of Deputy Premier Kellezi on a trip during the past three weeks in China. Kellezi, in his tour of rural China since the 1 October celebrations on behalf of the Albanian-Chinese Friendship Society, has exchanged pledges of support with the Chinese and has drawn attention to the two countries' joint stand in the defense of the purity of Marxism-Leninism.



support of Peiping in the Sino-Soviet controversy. Recent evidence suggests that Belishova, who had been a principal figure in the formulation of the party ideological line and ranked fifth in the hierarchy, favored a pro-Soviet position.

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without interruption since 1943, has generally assumed a somewhat less extreme position on issues, although he clearly led the fight against the pro-Yugoslav faction, headed by Koci Xoxe, which was purged in 1948. It is unlikely, however, that Hoxha--through his position as party first secretary--could not bring the party solidly into support of the USSR if he should choose. Because of his recent pro-Chinese speech, any such action seems unlikely.

In addition to the personal and diplomatic snubs tendered to the Albanian delegation in New York by bloc personnel, Albanian Ambassador to Poland Musin Kroj--now in Albania on leave--was reportedly told by the Poles not to return to Warsaw. These acts reflect the existing discord between the Albanians on the one hand and the Russians and other European satellites on the other. Nevertheless, the willingness of the Albanian leaders to proceed with their party congress--which was postponed from November to December, presumably to allow them to attend the Moscow meeting of world Communist leaders--suggests Hoxha believes he will be able to restate the party's existing ideological and policy positions without significant alteration.

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Despite reports over the years of a rivalry between party leader Hoxha and Premier Shehu, the two leaders do not appear to have any serious disagreements in their views concerning the Sino-Soviet differences. Premier Shehu, who owes his rise in power to his control over the police, has traditionally held "hard-line" views, is very strongly anti-Yugoslav, and apparently favors the Chinese stand.

Party leader Hoxha, who has directed the Albanian party

DIFFICULTIES IN SOVIET AGRICULTURE

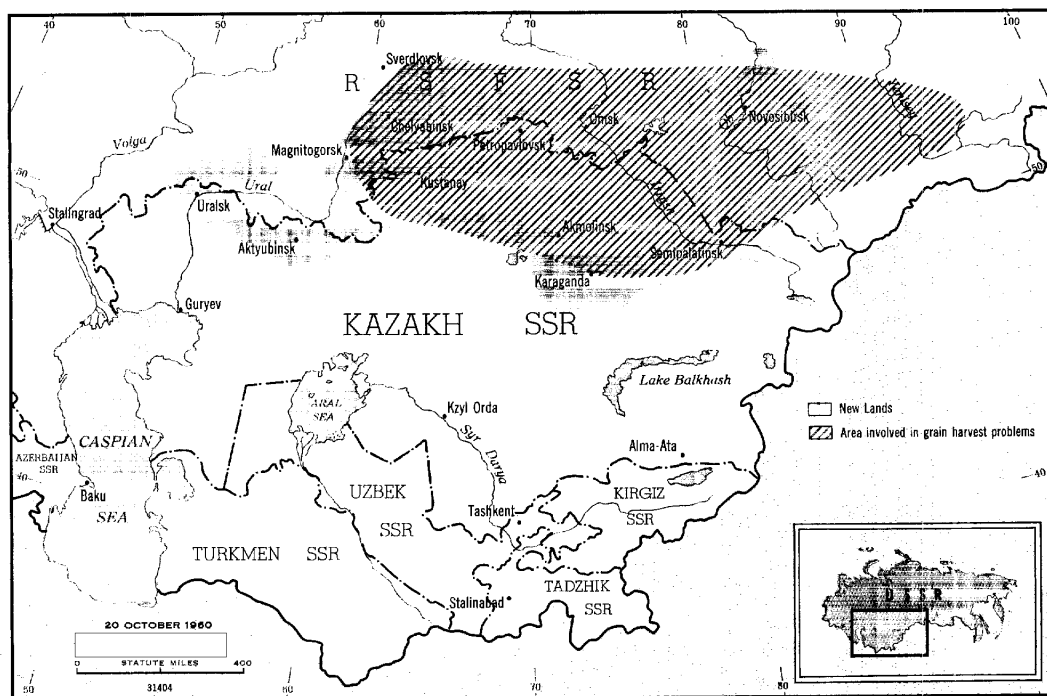
Two Soviet agricultural programs, heretofore closely associated with Khrushchev in Soviet propaganda, face a setback this year. Sizable grain losses, probably larger than

those of 1959, are expected in the New Lands, and partly as a result of this the total 1960 Soviet grain harvest will probably be mediocre--about the same as last year. The Soviet press

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recently acknowledged that production of meat and milk is lagging well behind the planned goals.

Since the New Lands program was begun in 1954, one third of the total Soviet grain area has been in Siberia and Kazakhstan, and these areas have accounted for 40 percent of the grain delivered to the state. By 1 October less than two thirds of the grain had been gathered in the New Land areas and deliveries of grain to the state were running behind the average for previous years. Harvesting has been later than in 1959, when large areas were covered with snow before the grain could be gathered. There have already been a few snow flurries in the New Lands, and strong winds were reported earlier this month. The area remaining to be harvested will yield only a small amount of usable grain--much of

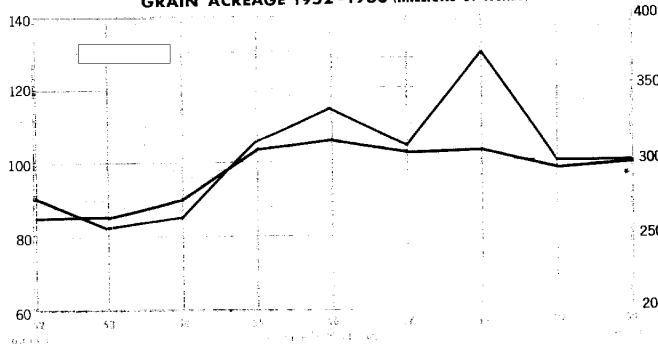
the unharvested grain has already either been damaged by rain and wind or has failed to ripen.

It now appears that the Soviet corn crop, although somewhat larger than average, will not be large enough to offset the harvesting losses of wheat in the New Lands and the grain losses in the European USSR from winterkill and spring dust storms.

The lateness of the harvest this year has delayed preparations for next year's crop. By 1 October less than one third of Siberia's autumn plowing plan had been completed--a good indication that the major share of the field work in the New Lands must, as last year, be postponed until spring.

A recent Pravda editorial admits that performance in the

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GRAIN ACREAGE 1952-1960 (MILLIONS OF ACRES)**

The Soviet semi-annual plan fulfillment report suggested that the shortfalls in the livestock industry were particularly serious in terms of milk production. The rapid and sustained growth of this industry under Khrushchev's aegis thus appears to have been interrupted.

livestock sector is lagging behind the growth rates needed to achieve the Seven-Year Plan (1959-65) targets, and that the output of livestock products has actually decreased in certain republics and oblasts. The editorial pointed out that pork production in the Ukraine declined by 19 percent in the last eight months. While this is likely to be offset, at least in part, by increased slaughtering in other areas, the livestock program as a whole may be expected to show little improvement in 1960, and production may actually decline.

The Soviet consumers' expectations, raised by the Seven-Year Plan goals and by Khrushchev's ambitious and unrealistic program for catching up with the United States in per capita production of livestock products will be further frustrated by this year's deficiencies. Another poor agricultural showing in the New Lands could touch off another major shake-up among the Kazakhstan party and government leaders. Also, Russian Republic (RSFSR) officials may be called to task for harvesting delays in their part of the New Lands.

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NORTH VIETNAM PLANS OVERTHROW OF SOUTH VIETNAMESE PRESIDENT

North Vietnam has embarked on a paramilitary and political offensive intended to overthrow South Vietnam's President Diem. Hanoi is convinced that Diem cannot cope with mounting political dissatisfaction and peasant unrest and at the same time fight wide-ranging Communist guerrilla bands.

Terrorism was given official sanction by North Vietnam's top army political official General Nguyen Chi Thanh, in the August-September issue of Hoc Tap, the party journal. Extolling violence as a technique for achieving power in Vietnam, Thanh put guerrilla terrorism

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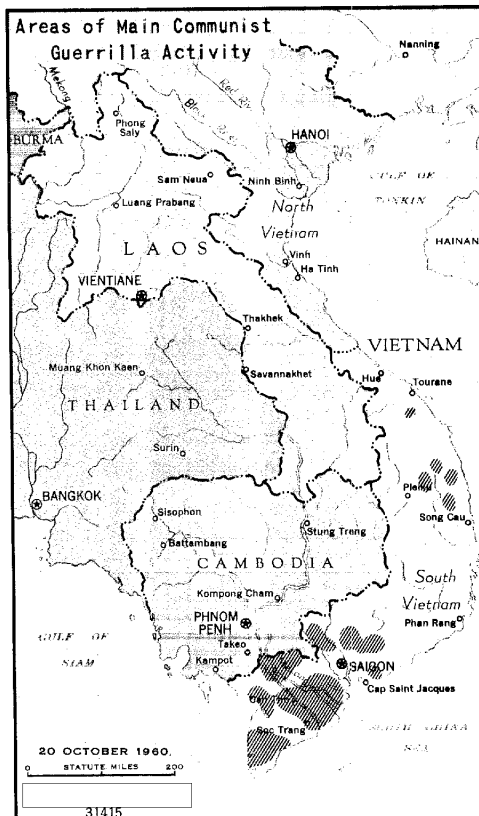
into the context of a Communist holy war by repeatedly citing Lenin as an authority that violent revolution "constitutes the foundation of Marxist-Leninist doctrine." He also called for consolidation and development of guerrilla forces and said the masses must be "methodically instructed" in violence.

Since late 1959, the Communist guerrillas--now believed to number more than 5,000, with some estimates as high as 8,000--had already sharply intensified their activities in South Vietnam, posing a serious security problem in the provinces south and southwest of Saigon. In July alone there were 131 assassinations and 70 kidnappings of civilians and 351 "clashes" with Communist guerrillas, an increase of 80 over the preceding month.

There were indications last month that guerrilla warfare may be spreading to the previously quiescent mountainous region in the northern part of South Vietnam.

A worsening security situation would be likely to increase the burden on the South Vietnamese Army--on which President Diem has chiefly relied to meet the Communist threat--and encourage the increasingly articulate political dissatisfaction with his authoritarian leadership. Diem's continued reluctance to deal with demands from both government and opposition circles for administrative and social reforms is likely to encourage such groups to undertake measures which could play into Communist hands.

The political aspects of Hanoi's plan to topple Diem



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were described in early September at the North Vietnamese third party congress, at which second-ranking party leader Le Duan, who has led guerrillas in the South himself, called for a "broad united front" combining all--including non-Communist--political opposition to Diem. As stated by Le Duan and other North Vietnamese spokesmen, the immediate objective of this "front" is a coalition government. Its ultimate goal, however, is destruction of South Vietnam's ties with the United States and "peaceful reunification" under Hanoi.

The Communists recently are reported to have made overtures to South Vietnamese dissatisfied with Diem and have tried to set

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South Vietnamese business interests against Diem by offering the government a

trade agreement which is sure to be rejected.

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USSR ADOPTS MORE FAVORABLE POLICY TOWARD ALGERIAN REBELS

Khrushchev told newspapermen in New York on 7 October that his talks with Algerian rebel leaders in New York and rebel premier Abbas' reception in Moscow constitute "de facto recognition" of the Algerian rebel provisional government. Soviet policymakers probably feel that by dropping their heretofore cautious attitude, they will be able to undercut Chinese Communist criticism of failing to give adequate support to "national liberation struggles." Moscow's shift on Algeria is probably also influenced by a desire to appear responsive to moves by the rebel National Liberation Front (FLN) to increase contacts with the Communist bloc as part of the effort to "internationalize" the Algerian rebellion.

The first indication that Moscow had begun to modify its attitude toward the Algerian war followed De Gaulle's press conference on 5 September, when Soviet commentators emphasized the negative character of his remarks and suggested that "France is not actually going to agree to grant Algeria real independence." Soviet spokesmen, while continuing to urge a negotiated settlement between Paris and the rebels as the best solution, also referred with approval to the FLN's proposal for a UN-supervised referendum.

Rebel premier Ferhat Abbas, during stopovers in Moscow in late September and again from 6 to 10 October while traveling to and from Peiping, was received by Soviet Foreign Ministry officials and for private talks by Acting Premier Kosygin. On his departure on 10 October, Kosygin publicly promised that the USSR would give the rebels "all we can in assistance" to bring independence to Algeria.

Soviet assistance has been confined to medical and relief supplies sent to Algerian refugees in Morocco and Tunisia through the Soviet Red Crescent. TASS announced in late September that the Soviet Federation of Trade Unions would supply \$500,000 worth of nonmilitary equipment to the General Association of Algerian Workers and provide study grants to 120 Algerian youths for technical training in the USSR.

Moscow may extend limited military aid to the rebels, probably in the form of light arms and training of Algerian military personnel, but Soviet leaders probably wish to avoid any open rupture with France. De Gaulle has stated publicly--

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--that formal

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recognition of the rebel government would result in a break in diplomatic relations; however, a French Foreign Ministry spokesman told newsmen in early October that Soviet overtures to the rebels short of formal recognition would not lead to French counteraction.

Communist China has consistently given the FLN position strong support. Unhampered by diplomatic relations with France, Peiping recognized the rebel government soon after its formation in September 1958.

Peiping extended \$5,000,000 in financial and material aid to the rebels in January 1959, but transportation difficulties limited deliveries to token amounts. During Abbas' recent visit to Peiping, Chinese leaders renewed a pledge of "unfailing assistance and support." Further financial aid was probably

given, but a new offer of material aid seems less likely, in view of the difficulty in fulfilling past commitments.

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MOROCCO

Morocco on 15 October closed the French consular establishments at Oujda and Bou Arfa--near the Algerian border area where Morocco has provided asylum for Algerian armed rebel bands and refugees. The move apparently was intended to demonstrate Morocco's support for the rebels and to counter the sharpening criticism of the King's regime by Moroccan leftists. A complete rupture in French-Moroccan relations, [redacted]

[redacted] still seems unlikely, however, and preparations are under way for the new French ambassador to present his credentials.

Closure of the consulates was preceded by a Moroccan press and radio campaign over two relatively minor violations of the Moroccan border by French Army units in Algeria. The Moroccan action has the practical value of depriving French intelligence of observation posts at a time when the rebels may be expecting reinforcements and supplies in order to step up their military operations coincident with the UN debate on Algeria.

The Moroccan Government may also have been motivated by a desire not to be outdistanced by Tunisia. The Moroccan

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King may have sought to provide dramatic support for the cause of Algerian independence equivalent to Tunisian President Bourguiba's proposal for the "union" of the Algerian rebel and Tunisian governments.

Closure of the consulates should in some measure allay the sharpening criticism of Morocco's leftist opposition--which has included the charge that the King's regime is too "soft" on the French. The left has denounced the 1 September agreement permitting France to retain

some military training bases in Morocco until the end of 1963 and demanded that the King not ratify it. The leftist press has also charged the government with failure to provide adequate support for the Algerian rebels. The public flurry caused by the "crisis" in Moroccan-French relations may also serve to camouflage somewhat Morocco's failure to align substantial support in the United Nations for its claims to Mauritania.

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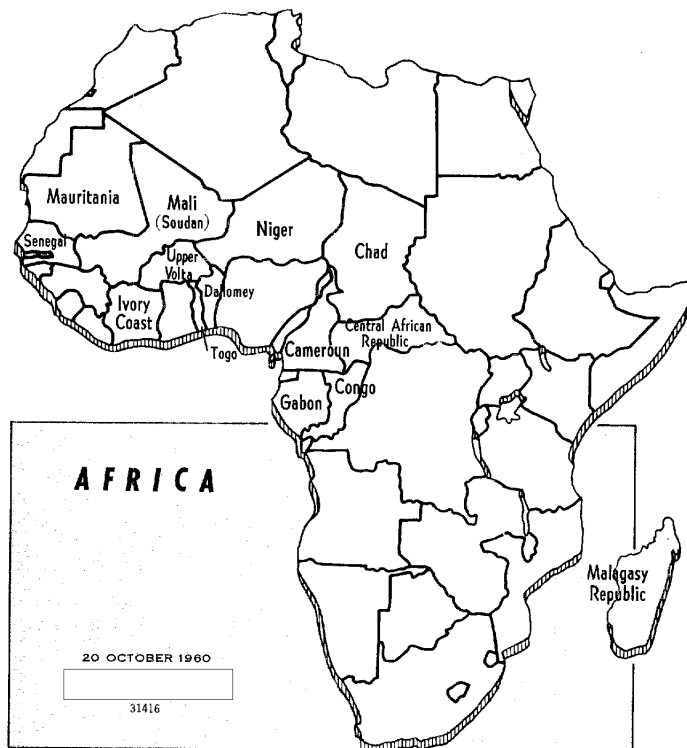
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FRANCE'S ECONOMIC AID TO THE FRENCH COMMUNITY

France is reported reviewing its program of direct aid to the newly independent states formerly under French rule. The program is estimated to cost \$200,000,000 for 1960, and is

an important support for the economies of these states.

The aid program is extended to the states of the French Community plus the former trust territories of Togo and Cameroun. It is about evenly divided between economic and social projects--e.g., road, port, and hospital construction--and funds to make up the difference between local wage scales and the salaries of French technicians and teachers. An additional \$20,000,000 is available to the Community states for long-term loans.



Indirect benefits include free education in France for native students, guaranteed prices and markets for peanuts, coffee, and other principal African exports, and the French contribution to the European Common Market assistance fund. The local

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economies also derive substantial contributions from private investment and such joint government-private industry ventures as the corporation which exploits iron ore deposits in Mauritania.

Although the African states are trying to replace French bureaucrats, many Frenchmen still remain because of the shortage of trained native personnel. Before the breakup of the Mali Federation, an estimated 2,300 out of a total of 2,500 officials in the Federation--including teachers--at both the state and federal level were paid, at least in part, by French grant aid. About 1,300 French officials are in the Ivory Coast Government, another 2,000 to 2,500 in the administrations of the other West African states of Dahomey, Mauritania, Niger, and Upper Volta, and 2,250 in the Malagasy Republic (Madagascar).

While the present review appears designed simply to adjust the aid program to the

new conditions of independence, serious policy differences between Paris and the new states could later bring drastic cuts on political grounds. Almost all these states have signified their intention not to stand with France against the other Asian-African bloc nations on the Algerian issue when this is debated in the UN General Assembly in November. Friction is also likely, sooner or later, over the continued French use of military bases.

Paris will probably try to avoid a situation similar to that in 1958 when Guinea, which, having chosen complete independence, was forced by French discontinuance of aid to turn to the Soviet bloc for assistance. 25X1

MIDDLE EAST DEVELOPMENTS**UAR-Jordan**

President Nasir, who began a surprise visit to Syria on 14 October, has loaded his successive speeches in Latakia, Aleppo, Hama, and Damascus with sharp attacks on King Husayn. He has obviously attempted to distract Syrians from their dissatisfaction with his own regime, and at the same time to incite "Arab nationalist" sympathizers in Jordan to overthrow Husayn.

Nasir is incensed by the King's anti-UAR remarks in his address on 3 October to the UN General Assembly, but the UAR President, while criticizing

Husayn for airing an Arab dispute before an international body, has gone far beyond, calling him "the mercenary king" and an "imperialist and Zionist agent." Nasir has made particular capital of the alleged murder of a Syrian pilot who crash-landed in Jordan.

Syrian crowds have received his speeches enthusiastically, relishing those passages where he has turned Jordanian or Israeli propaganda charges to his own advantage. He referred, for example, to Radio Amman's allegation that, rather than answer Husayn's charges before an international forum, Nasir

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preferred to address "the rabble and the riffraff." Nasir retorted, "If the people are rabble and riffraff, then the President of the republic is one of the rabble and riffraff."

In rebutting "imperialist" allegations that "the unity between Syria and Egypt is weakening," Nasir seemed to protest too much. His overemphasis on the solidity of the UAR's two regions reflects a deep concern over conditions in Syria. Dissension within the Syrian cabinet is a continuing problem

Cabinet Chairman Abd al-Hamid Sarraj, whose heavy-handed tactics may be part of the cause of the difficulties, was prominent in Nasir's touring group and seconded some of the President's speeches. Other important causes of Nasir's concern are Syria's faltering economy, plotting against the Cairo regime by Syrian dissidents, and possible Jordanian-Iraqi moves in support of such elements.

In Palestinian West Jordan, the UAR propaganda offensive against King Husayn has reportedly caused an unprecedented upsurge of enthusiasm for Nasir, together with outspoken criticism of Husayn and his regime. Pro-Nasir feeling also is running high among Amman's lower classes. Uneasiness is growing in Jordanian business and government circles; a few businessmen have sent their families out of the country, and there has been some

flight of capital to Beirut.

The expenses connected with recent troop movements and concentrations near the Syrian border have accelerated the approach of a financial crisis in the Jordanian Army.

Iraq

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Iraq is now polarized into a well-organized and highly vocal Communist minority and a strongly anti-Communist but faction-ridden majority. Qasim's recent crackdown on several anti-Communist newspapers and his patronage of the congress of the Communist-dominated International Union of Students now being held in Baghdad have further dismayed anti-Communist elements.

Several members of the rightist Islamic party's administrative committee have been arrested, following the publication on 15 October of an open letter from

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the party to Qasim, challenging his alleged pro-Communist policies. The American Embassy reports speculation in Baghdad that the party's letter had the backing of other nationalist elements, suggesting that anti-Communist opposition to Qasim is beginning to coalesce.

Official and public disenchantment has grown regarding the Soviet bloc economic assistance to which Qasim has committed Iraq, and respect and popular support for Qasim has decreased greatly. The absence of real progress in the country's economic development program and the virtual stagnation of the economy have resulted in further discontent.

Libya

King Idris accepted the resignation of Prime Minister Kubar on 16 October and named Muhammad Ben Uthman, an experienced politician and businessman from sparsely populated Fezzan Province, to replace him. The King's action came in response to strong parliamentary attacks on corruption among top-level officials and with a no-confidence resolution pending in the Libyan House of Deputies.

Idris' earlier moves to head off a crisis on the corruption issue were either too little or too late. In July he

sent a circular letter to government officials criticizing dishonest practices and promising to take action. He failed to do so, however, and in August a new scandal broke over bribery in connection with the Kubar cabinet's approval of an additional contract for the Fezzan road project.

A majority of members of the normally supine parliament petitioned for an extraordinary session to discuss this issue, and the King ordered parliament to reconvene on 3 October. Four days before the first session, the King replaced four cabinet ministers but retained Prime Minister Kubar. This failed to appease the parliament, and on 10 October the House of Deputies overwhelmingly approved a resolution demanding cancellation of the Fezzan road contract and calling for investigation of the scandal by a parliamentary committee. A majority of the deputies went further by backing a resolution--scheduled for debate on 18 October--for a vote of no confidence in the Kubar government.

The King, whose alternative would have been to risk a further build-up of anti-government pressures which might endanger the monarchy, issued a decree replacing Kubar. This paved the way for a royal decree on 17 October recessing parliament.

The new prime minister

has held portfolios in most of the many cabinets during Libya's nine years of independence and has been one of the Fezzan's five representatives to the lower house. His selection was designed to answer criticism of corruption in government

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and to avoid accentuating frictions between politicians of the two larger provinces, Tripolitania and Cyrenaica. He is reported to be a supporter of the crown prince as well as of the King, and has been friendly and cooperative in his dealings with American officials.

His may prove to be only an interim government, even

though the King has given him a revised and expanded cabinet, including additional prominent parliamentary figures, as well as former provincial officials. Its durability will probably depend on its success in cleaning up the Fezzan road scandals and re-establishing a modicum of public and parliamentary confidence in the government.

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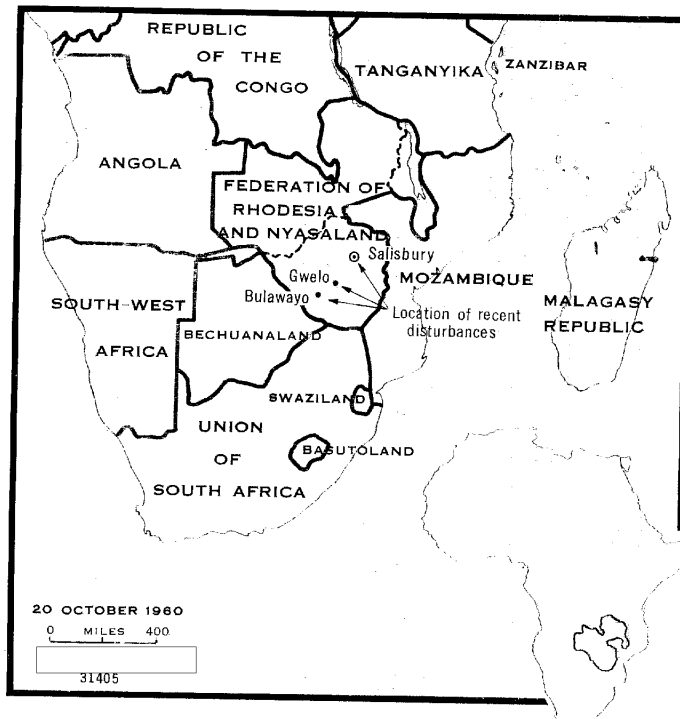
TENSION IN SOUTHERN RHODESIA

Serious unemployment and poor housing conditions among the Africans of the native townships adjoining several of Southern Rhodesia's larger urban centers, along with increasingly effective nationalist activity, are aggravating unrest among the thousands of Africans involved. Recent instances of racial violence have been sparked by trivial incidents and have resulted in extensive casualties, including a score of African deaths--the first from public disorders in over 60 years.

The situation is worsened by the Africans' belief that shooting by police, particularly inexperienced white police reservists, is "unprovoked" and intended to cow the Africans. This may in fact be the purpose of the shooting, as one Federation official has remarked that "if there is more trouble, police and federal troops

will teach the Africans a lesson they won't forget for years and years. There will be so many corpses out there you won't be able to count them."

The Southern Rhodesian Government of Prime Minister Whitehead reacted promptly to the latest disorders by tighter

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security. On 13 October he mobilized 1,600 white national guardsmen and stationed them in platoon strength at strong points in the African townships adjoining Salisbury, Bulawayo, and Gwelo. The following day he imposed a one-month ban on all political meetings in the African townships throughout the colony; he has since called an additional 1,600 white guardsmen to stand by for early duty. He is also proposing new legislation to strengthen the colony's police power.

The attitude of the local white minority is a growing concern to responsible officials in the government. There have already been threats of white mob action, and a delegation led by a member of parliament plans to see Prime Minister Whitehead to demand the formation of an armed white citizens' force for "the protection of homes." Meanwhile, an organization calling itself the 'Rho-

desian Republic Army to Defend European Interests recently began issuing leaflets and daubing walls with the initials "RRA" in several cities. Police suspect that the organization may be responsible for the recent theft of rifles from an arsenal near Bulawayo.

The bulk of Southern Rhodesia's 225,000 whites have been aroused by the publication on 11 October of the report of the Monckton Commission--a British-appointed study group examining the political structure of the Federation of Rhodesia and Nyasaland in advance of forthcoming constitutional talks in London. It called for expanded African participation generally, and specifically for parity of African and European representation in the federal parliament, early native control of Northern Rhodesia's government, and the end of racial discrimination in Southern Rhodesia. 25X1

POLITICAL PACE QUICKENS IN ZANZIBAR

British officials in the Zanzibar Protectorate are becoming concerned over the rise in racial tension there and over the growing Communist orientation of some Zanzibari nationalists. According to the British, tensions between the 260,000 Africans and the historically dominant minority of 40,000 Arabs are high, and a trivial incident could lead to serious trouble. The Africans themselves are split into two factions, and the Arab-controlled Zanzibar Nationalist party (ZNP), many of whose leaders are Communist sympathizers, may gain an influential position in the legislative council as a result of elections scheduled for next January.

The new council is to have a majority of elected members. However, the ZNP, which holds one of the six elective seats in the present 25-member legislature, has campaigned for greater self-government now and an unequivocal British commitment to early independence. The ZNP's demands for rapid political evolution are made by its Arab leaders to win support from the African community. These leaders apparently believe that their superior political acumen will enable them to dominate an Arab-African alliance. They have been largely unsuccessful, however, and their campaign has actually aggravated tensions between the Arabs and many anti-Arab Africans.

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Despite its inability to promote an outright alliance with Africans, the ZNP has succeeded in splitting the Afro-Shirazi party, the principal African political vehicle. A three-way contest in the elections is likely to result, and a high British official believes that the ZNP will emerge in a strong minority position or as leader of a majority coalition.

The Communist bloc--particularly Communist China--reportedly continues to have con-

siderable influence with ZNP leaders. Over 30 party members have visited Peiping and Moscow in the last eight months, and many have returned extolling the bloc's economic accomplishments. Communist influence, coupled with the ZNP's anti-Western tendencies, could lead to a recrudescence of the demonstrations which the party instigated last June against American space-tracking installations in the country.

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AFRICAN BLOC IN THE UN GENERAL ASSEMBLY

The 25 African UN members--16 of which have been admitted this year--seem to be aware of their potential as the largest single bloc in the present General Assembly, but have taken a cautious approach in the few voting line-ups to date. The new members are influenced by a

Khrushchev's anticolonial diatribes were well received by the African delegates, one of whom felt that introduction of this issue would aid the Afro-Asian initiative on Algeria. African delegates were flattered and impressed by Khrushchev's attentions.

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AFRICAN BLOC IN THE UN

Cameroun	Malagasy Republic
Central Africa Republic	Mali
Chad	*Morocco
Congo (Brazzaville)	Niger
Congo (Leopoldville)	Nigeria
Dahomey	Senegal
*Ethiopia	Somali Republic
Gabon	*Sudan
*Ghana	Togo
*Guinea	*Tunisia
Ivory Coast	*UAR
*Liberia	Upper Volta
*Libya	

* Indicates old members; new members are those admitted to UN membership this year.

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feeling that neutral countries have an obligation to bring "cold-war antagonists" together, but at the same time resent pressure from either side or from other neutrals. They have expressed annoyance at Ghana's and Guinea's pretensions to speak for all Africans.

The Soviet premier's obvious attempts to woo the African states, however, were somewhat offset by his behavior in the UN, which was criticized by many African delegates, including even Sekou Touré of Guinea.

According to the Swiss UN observer, there had been an instinctive revulsion on the part of the new states against Khrushchev's tactics during his attempt to get disarmament debated in plenary session. The observer attributes the 11 October vote assigning disarmament to the

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Political Committee largely to the unwillingness of these new states to be "bullied" by Khrushchev. The Soviet bloc's heavy attack on Hammarskjold and the UN as a whole were regarded with dismay by many Africans, who look on the UN as one of the key factors in gaining their independence.

Only Liberia supported the moratorium on Chinese UN representation; most other African states abstained, while making it clear that next year they would probably oppose. According to a French UN delegate, representatives of several new African states resented the pressure tactics of the Chinese Nationalist delegate, and his efforts probably backfired. The American UN delegation believes that more African states would vote against the moratorium next year, not from lack of understanding the United States position, but basically for the same reason that prompted them to support the five-power neutralist resolution calling for talks between the President and Khrushchev--a feeling that neutrals must

act as a bridge between East and West.

Reflecting their desire to remain neutral, almost all African members abstained on inscription of the Tibetan and Hungarian items on the assembly's agenda. Guinea and Mali joined the Soviet bloc in opposing inscription of the Tibetan question. Mali was the only African member to oppose inscription of the Hungarian item; Mali, which has frequently followed Conakry's lead, in this case voted before Guinea, which abstained.

Nominally members of the 46-member Afro-Asian bloc, the African states have caucused as a separate unit, particularly on problems related to Africa. However, the Africans themselves are split on African problems. According to the delegates from the Republic of Congo (Brazzaville) and the Malagasy Republic, all new French-speaking African states except Mali and Senegal are determined to wage a fight against the Afro-Asian effort--led by Guinea--to seat the Lumumba group as representatives of the Republic of the Congo (Leopoldville). 25X1

SOVIET-ITALIAN OIL AGREEMENT

The special barter agreement signed in Moscow on 11 October by Enrico Mattei, head of the Italian state fuels agency ENI, underscores the marked rise in the past few years in Italy's imports of Soviet oil. Under the agreement--the third he has made with Moscow in a little less than two years--Mattei promised to export steel pipe, pipeline equipment, and rubber in exchange for 12,000,000 tons

of Soviet crude and fuel oil over the next four years. The general level of trade between the USSR and Italy has not increased significantly in the past few years.

According to Moscow radio, Italy is to export to the Soviet Union 50,000 tons of synthetic rubber from ENI's Ravenna plant, 240,000 tons of steel pipe, and pumps and pipeline

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equipment. In December 1958, ENI contracted to buy 800,000 tons of Soviet crude during 1959 and to sell the USSR 8,000 tons of synthetic rubber. Last December, ENI negotiated an exchange for 1960 under which the Italians pledged to import 1,500,000 tons of crude in return for Soviet purchase of 10,000 tons of rubber.

The American Embassy in Rome believes the ENI system in Italy should be able under the 11 October agreement to absorb 3,000,000 tons of petroleum annually without forcing other refineries to take any Soviet crude. Nevertheless, a US oil company official in Rome has stated that ENI will be able to continue exerting a downward pressure on petroleum prices in Italy, since it is presumably getting its oil in this latest deal at a substantial discount below world market prices.

Italian petroleum consumption has shown a marked rise in

recent years, increasing 13 percent in 1959. The country depends on imports of crude and fuel oil for about 90 percent of its internal needs. Italian imports in 1959 totaled 24,900,000 tons, of which about 2,600,000 tons came from the USSR and 200,000 from Rumania. The 1960 figures for Soviet imports will probably approximate 3,000,000 tons.

Italy's over-all trade with the bloc, while showing a modest increase in recent years, was only about 5 percent of its total trade in 1959. Trade with the bloc is regulated by trade pacts on a yearly basis. The 1960 protocol with the USSR called for a total trade turnover of \$200,000,000, with the Italian Government undertaking to guarantee up to \$100,000,000 in export credits to finance Soviet purchases. It is unlikely, however, that these guarantees will be utilized by Moscow under its recent pact with ENI.

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VENEZUELA'S POLITICAL AND ECONOMIC PROBLEMS

Dissension within Venezuelan President Betancourt's three-party coalition over policy toward the Castro regime has subsided since the resignation of the pro-Castro foreign minister last September. The country's depressed business conditions and continuing pressures on its foreign exchange holdings, however, are posing serious difficulties for the government. Pro-Cuban opposition elements--including the Communists--which have already received considerable aid from Havana for their activities in Venezuela, are likely to exploit this situa-

tion with some success against Betancourt.

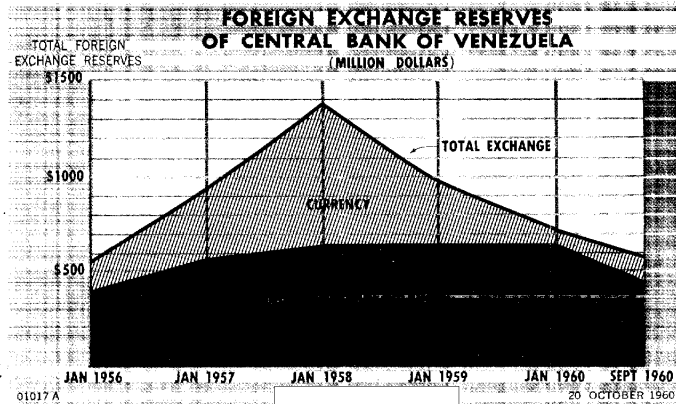
Venezuela's foreign exchange reserves, at an all-time high when dictator Perez Jimenez was overthrown in January 1958, have since fallen about 60 percent. The effective average annual loss for the three-year period ending in 1960 will probably be more than \$370,000,000--a figure substantially higher than the total exchange holdings of any other country in Latin America except Argentina and Mexico.

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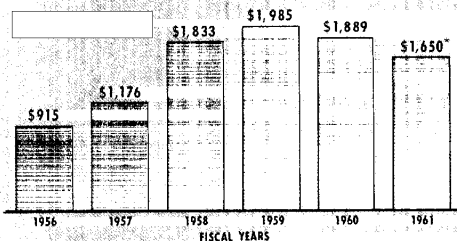
To a considerable degree these difficulties reflect the end of Venezuela's oil boom in 1958, since oil dominates the nation's economy. A number of other causes, however, have also contributed. Maturing obligations of the Perez dictatorship, reduced by renegotiation to about \$1.2 billion, were largely liquidated by July 1960; repayment has probably not been a serious drain on reserves this year. Debts of the Betancourt and interim regimes, however, are apparently contributing to the current decline.



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related factors include the sharp drop in new investments, particularly in the oil industry; declining revenues from oil; and unbalanced and abnormally high national budgets.

VENEZUELAN NATIONAL BUDGET APPROPRIATIONS
(MILLION DOLLARS)



* DOES NOT INCLUDE CUSTOMARY AND USUALLY SIZABLE SUPPLEMENTARY APPROPRIATIONS
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Another major cause of exchange erosion is the flight of Venezuelan capital arising from depressed business conditions and a general loss of confidence, in part due to contradictory and indecisive government economic and financial policies and attitudes toward private investment. Moreover, the business community appears concerned over the possible imposition of exchange controls and devaluation of the bolivar, long quoted at 3.3 to the dollar. Other closely

Periodic plotting and unrest since 1958, political dissension threatening the viability of the coalition, and recent violence among hostile political factions competing for control of the labor movement have intensified uncertainty about the political and economic outlook. Betancourt, who was seriously injured in the Dominican-backed assassination attempt last June, may also face renewed domestic pressures to adopt unilateral measures to oust Trujillo--Venezuela's primary foreign policy objective. Such pressures may increase as a result of the recent US allocation to the Dominican Republic of part of the canceled Cuban sugar quota--a move which was strongly condemned by all Venezuelan political groups and which is generating considerable anti-US sentiment.

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WEST INDIES FEDERATION DEVELOPMENTS

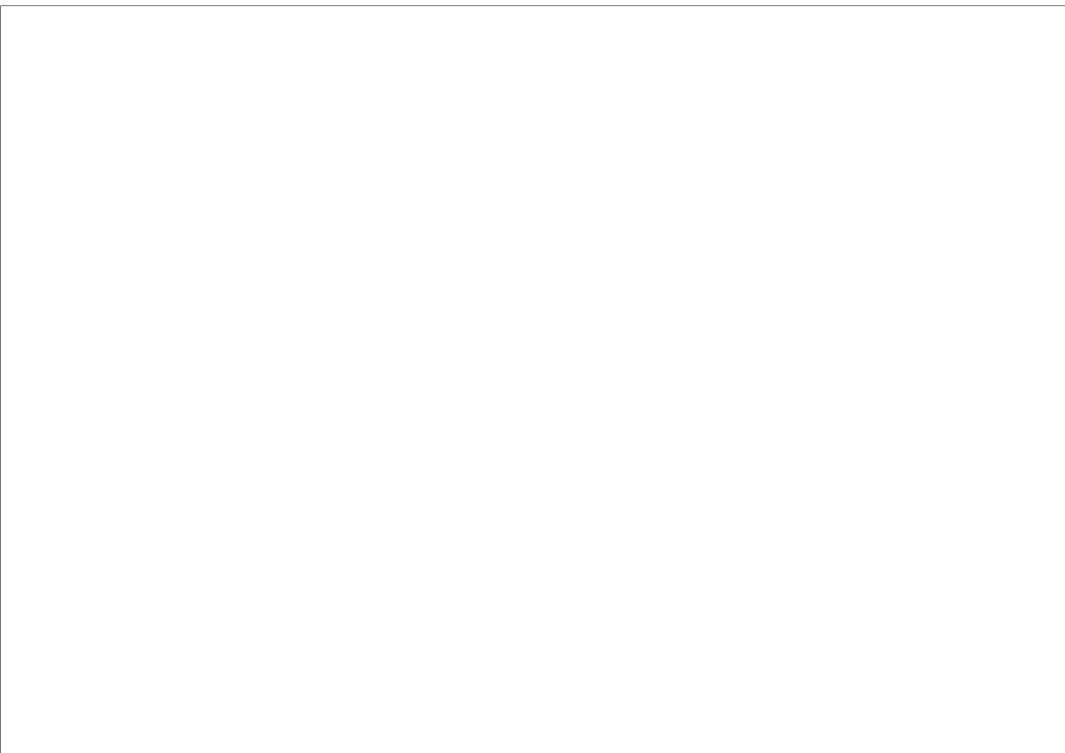
Politicians in the West Indies Federation continue to insist that the United States provide economic and military aid as compensation for the right to retain its bases on Federation territory. This demand may create difficulties at the talks beginning in London on 3 November among American, British, and West Indian representatives.

Following these largely procedural talks, substantive discussion to revise the 1941 American-British agreement--by which the United States leased numerous West Indian base sites for 99 years--will take place on those islands with active US bases: Trinidad, Jamaica, St. Lucia, and Antigua. The West Indians want the United

States to release base areas now deactivated and to agree to a shorter lease on areas it retains. While recognizing the US need for such bases and seeing advantages in a mutual security treaty, the West Indians are increasingly eager for compensatory benefits in the form of economic aid and military training.

Trinidad's Premier Eric Williams, instigator of the campaign against US bases, has recently been more cordial,

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Jamaica is more interested in pursuing the interisland discussion to begin shortly on the future federal constitution. London insists that the Federation members agree on a form of government before it will grant independence, probably in late 1961 or early 1962. Jamaica wants a relatively weak central government, leaving to the islands most powers of taxing and economic controls. Trinidad and the smaller islands, on the other hand, want a strong

central government with more taxing power and a much larger budget than at present. After more than a year of preliminary discussions, they now appear ready to make sufficient concessions to keep Jamaica from seceding.

Trinidad is apparently willing to agree that federal power over customs stem not from the constitution but from an interisland treaty allowing individual islands to retain considerable control over tariffs.

Jamaican Premier Manley hopes for agreement on the new constitutional structure in time to hold a promised referendum in January on Jamaica's remaining in the revised Federation.

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DIEFENBAKER'S POLITICAL TROUBLES

The Canadian cabinet shake-up announced on 11 October marked the first of several measures Prime Minister Diefenbaker plans to take to restore



DIEFENBAKER

the government's popularity. Since last spring the government has steadily lost public support, mainly because of the deteriorating economic situation,

marked by a rise in unemployment from 4 to 6.7 percent. In the latest Gallup poll, the Liberals led the government in popular favor for the first time since they lost power to the Conservatives in the 1957 general elections. Early last summer Liberals upset Conservatives in provincial elections in New Brunswick and Quebec.

In Parliament, Lester Pearson's Liberals have increasingly emphasized charges that the government has failed to fulfill its election pledge to promote Canada's economic and military independence of the United States. The replacement of the controversial 72-year-old Minister of Defense Pearkes by the 57-year-old Minister of Agriculture Douglas Harkness removes the Liberal's favorite target.

Since Harkness has apparently not exerted much influence during his three years in the cabinet,

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however, Diefenbaker and External Affairs Secretary Green will probably continue to be the dominating influence in matters of joint US-Canadian defense interests. Green's tendency to delay in recommending policy decisions on joint efforts such as the proposed Bomarc missile project may even be intensified without Pearkes to prod him.

The advancement of the young and able George Hees to the important trade and commerce post suggests a determined effort to fulfill another government pledge of diversifying Canada's trade to make the economy less dependent on the United States. Diefenbaker told Ambassador Wigglesworth last month that if public agitation regarding the alleged

erosion of Canada's sovereignty continues, the government may be forced to recommend legislative action concerning US corporate subsidiaries and labor union affiliates.

The American Embassy in Ottawa believes that unless the economic situation improves this winter, Diefenbaker may call an election next spring--two years earlier than required by law--before the government's prestige drops even further. In an election campaign and probably in any event, the government will be tempted to divert attention from domestic difficulties by outdoing the Liberals' promises to protect Canada's interests against the United States.

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BEHIND THE ARGENTINE POLITICAL CRISIS

The crisis which erupted in Argentina on 11 October with the army's demands for various changes in President Frondizi's policies reflects the political and economic problems which have plagued the country since Peron was overthrown five years ago. The magnitude of the problems inherited from Peron, especially financial difficulties and deep political animosities, influenced the interim provisional military government of General Aramburu to defer many economic decisions and concentrate on restoring constitutional government.

The same problems have confronted Frondizi in his at-



FRONDIZI

tempts to bolster the economy through emphasis on free enterprise and the US-backed stabilization program initiated in January 1959. The program has caused more severe economic repercussions than he anticipated and is a major target of the opposition.

Frondizi's Political Approach

When Frondizi took office on 1 May 1958, the treasury was nearly empty, the foreign debt was over a billion dollars, and the economy was dis-

torted from years of controls. His inaugural address emphasized a determination to correct the situation, and he urged that the sharp political divisions--especially those relegating Peronistas to a sort of Limbo--be put aside for a common endeavor toward economic and political recovery. He granted amnesty to a number of Peronistas not involved in criminal charges--as is Peron himself, now in exile in Spain. Most of the Peronistas previously deprived of various civil rights had benefited from amnesty measures by the military government.

The opposition, highly suspicious of the Peronista and Communist support which had contributed to Frondizi's landslide election, waited only a few weeks before they began a barrage of attacks, which have afforded Frondizi little respite since then. These have included attacks on his judicial and military appointments--on which he had to give ground--on his approval of private universities--which permitted Catholic schools to break the state monopoly--and on the Basic Labor Law, which opposition labor leaders believe is being used to help "soft" Peronistas.

At the same time, the government has been subjected to subversive strike action and agitation by the Peronistas and Communists, and paradoxically those who accused Frondizi of being too lenient toward his former electoral supporters criticized the strong emergency measures he has had to take to control the situation.

The state of siege imposed on 11 November 1958 and later ratified by Congress has been maintained at the insistence of the military, which has had to extend its activity to investigation

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of widespread bombings. Frondizi, however, readily agreed to the need for this and further emergency measures adopted in March 1960 after a wave of bombings claimed a number of lives--the bombings and strikes had already caused considerable material damage over the preceding year. The military, nevertheless, object to having to perform this police-type duty which it feels gives it an unjustified reputation for being antidemocratic and repressive.

Frondizi also asked the provincial electoral courts, which control the inscription of political parties, to ban the Communist and Justicialista parties from the congressional and local elections held on 27 March 1960, the Justicialista party being the successor to the split and outlawed Peronista party. This action, desired by both Frondizi and the military, again prompted demagogic criticism from the opposition, which charged Frondizi with being too lenient toward the Peronistas and Communists.

Military Attitudes

The attitudes of the armed forces toward Frondizi have changed little since his inauguration on 1 May 1958. First of all, the military considers itself the guardian of the revolution against any resurgence of Peronista political power. The dominant faction of the military wanted to restore constitutional government, despite their suspicions of Frondizi's nationalistic background and reports that he had made a deal with Peron for Peronista electoral support. Other military men admired Frondizi's intelligence

and remembered his record as an outspoken political foe of Peron before the September 1955 revolution.

The majority of the military seemed to favor the leading opposition party, the People's Radical Civic Union (UCRP), which was formed in January 1957 after a split with Frondizi's section of the Radical party. Then and subsequently some UCRP leaders have taken particular complaints regarding Frondizi's policies to friends in the army, accounting for some of the patently contradictory attacks on Frondizi. Leaders of other parties have stimulated similar military pressure, since the army has various factions.

These sometimes contradictory pressures as well as complaints from provincial governors and other leaders of his Intransigent Radical party may have influenced Frondizi to reconsider and pay more attention in recent months to the Peronistas, who are estimated as still comprising 25 percent of the electorate. He is trying to woo



TORANZO MONTERO



FRIGERIO

Peronista political support away from Peron, chiefly through the labor movement. The main architect of this plan has been Rogelio Frigerio, whom the army forced to resign from Frondizi's

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ARGENTINE EXPORTS

(MILLION DOLLARS)

	1958	1959	PERCENT OF CHANGE
MEATS	295	259	-12
GRAINS	267	293	10
OTHER AGRICULTURAL PRODUCTS	169	152	-10
WOOL	99	121	22
HIDES	59	70	19
DAIRY PRODUCTS, EGGS, AND HONEY	19	43	126
OTHER	86	71	-17
TOTAL	994	1009	1

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secretariat late in 1958. Nevertheless, Frigerio and other like-minded advisers officially banished have recently become important unofficial advisers and again the target of the army, whose spokesman is commander in chief General Carlos Toranzo Montero.

Frondizi cannot escape from his political dilemma in the manner of the provisional military government, which merely handed over power and stepped into a watchdog position. The President has sacrificed his political popularity to his economic program on the theory that this will pay off in economic improvement and an eventual endorsement of his position. His policies, however, have been slower in producing results than he anticipated.

Frondizi's Economic Program

The results of the US-backed stabilization program thus far show progress mainly in the re-orientation of economic policy toward free enterprise in an effort to re-establish a sound economic

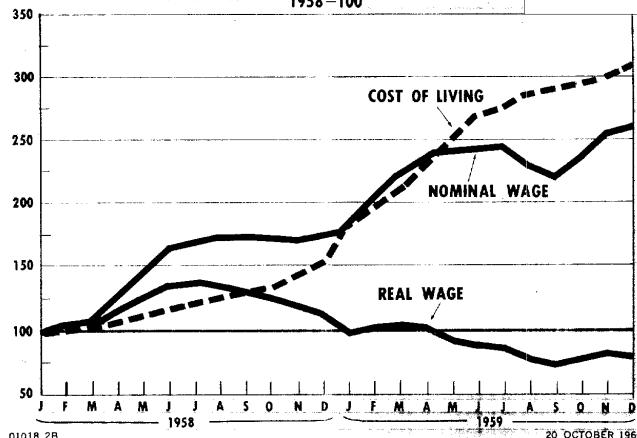
structure. A free market for foreign exchange was established in January 1959, and later in the year the peso stabilized at 82-83 to the dollar. Many former economic controls have been abandoned, including all internal price controls.

The administration is trying to reduce government activity in areas such as transportation which have contributed to the large government deficit, one of the major sources of inflation, and slow but steady progress is being made. Some 60,000 employees have been dropped from the government payroll since the program began, according to Economics Minister Alvaro Alsogaray. Further reductions are inhibited by the lack of alternative employment.

Concomitantly, the government is trying to encourage increased private investment even in such areas as electric power and steel, which the traditionally nationalistic Radical platform has tried to reserve for public ownership. An electric power bill, which permits concessions to private investors, was passed on 3 September by the Chamber of Deputies. Although Frondizi's UCRI party

ARGENTINA: INDUSTRIAL WAGES

1958=100



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holds 108 out of 192 seats in the Chamber, the bill was pending for more than a year and the administration finally obtained a quorum only by transporting two deputies by ambulance from a hospital.

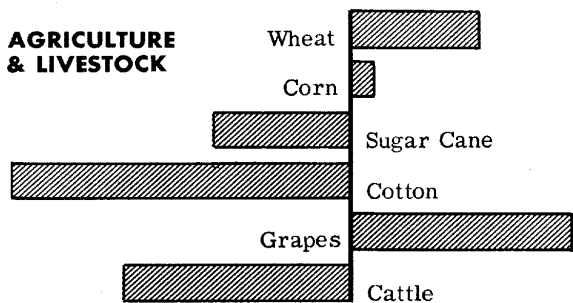
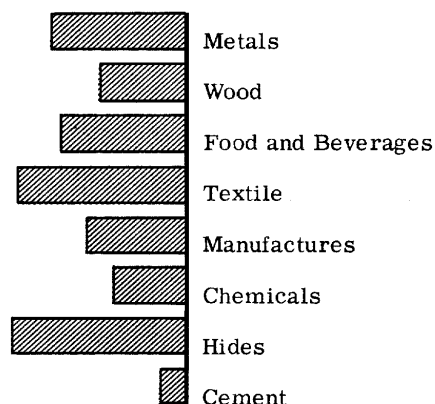
At the UCRI national convention, which convenes in November, some of Frondizi's closest collaborators in the party plan to sponsor a move to modernize the party's nationalistic platform--which has

not been revised since 1950 before the split with the UCRP. Frondizi has said that he would abide by the decisions of the convention. This plan, which is opposed by some UCRI factions, may have influenced him to instruct Alsogaray to seek new loans in Washington in late September in support of economic development. There is intensifying pressure on Frondizi from provincial governors--all UCRI members--over the lack of economic development and even

economic recession. Some governors have independently opened negotiations with foreign firms for public projects.

ARGENTINA : PRODUCTION CHANGES**1958-1959**

DECREASE INCREASE
-40% -30 -20 -10 PERCENT 10 20 30%

AGRICULTURE & LIVESTOCK**INDUSTRIES****ENERGY**

Both business and labor have complained about the impact of the stabilization program. Labor, which lost about 25 percent in real wages during 1959 as a result of the doubling of living costs, is pessimistic about recovering these losses, which occurred when labor was already in a depressed position. Business interests complain that tight credit controls and the ceilings on wages contributed to a 11.2-percent decline in industrial production during 1959 and the fall-off in consumer purchasing.

While the stabilization program has attracted many foreign investment offers--some \$300,000,000 of these have been approved--many projects have not progressed far enough to have a visible impact on the economy. Moreover, the government does not have the financial

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resources for action on such election promises as housing, which was declared an emergency situation 20 years ago.

The outstanding success among Frondizi's policy innovations has been to make contracts with foreign firms to help develop petroleum resources. This has resulted in a 25-percent increase in crude oil production, which formerly was one of Argentina's most costly imports. The government hopes to be almost self-sufficient in crude by 1961, provided the pipeline and transportation problems are solved. The foreign contracts have included some short-term financing, which has enabled the state oil fields to speed up their program, but the annual debt repayments are a heavy burden in comparison to foreign exchange earnings and other commitments. The prospects for the 1960-61 beef and grain exports are less favorable than the previous season.

Outlook

Basically, Argentina's economic difficulties spring from the failure of its productive capacity to keep pace with its growth in population--a situation Frondizi hopes the stabilization program will correct. For this reason, he has reiterated his determination to press the program, but at the same time he is renewing efforts to obtain needed financial assistance abroad. He stressed this need during his tour of eight Western European countries in June and July, and the Senate has ratified a protocol signed with the USSR last May allowing Argentina to use \$50,000,000 of

the \$100,000,000 Soviet credit for petroleum equipment for other purposes.

Despite the evident disagreements of the past ten days, Frondizi has the support of the armed forces for the broad outlines and purposes of the program. He may, however, have to make some mainly administrative changes as demanded by the army, such as improving the efficiency of the state oil company and removing some officials considered corrupt or too conciliatory toward Peronistas.

Furthermore, party attacks on his regime and policies show no signs of abating. The UCRP has vowed to retract his program "when it gains control of congress" in the 1962 elections. The "hard-line" Peronistas openly call for subversive tactics and Peron's return. The Communists, although repressed by special measures since May 1958, have been able to increase their agitation in general and specifically their influence in the universities, frequently using pro-Cuban propaganda as the vehicle. This continues to increase military pressure for the government to intervene in some universities and provincial governments, an extremely unpopular move.

Frondizi will probably continue to treat the army demands cautiously. Former President Aramburu was a moderating influence in diverting the threat of a coup in mid-October, but he too agrees that Frondizi must take action on the army demands.

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COMMUNIST GAINS IN SINGAPORE LABOR MOVEMENT

Organized labor, whose members number 150,000 voters in Singapore's electorate of 600,000, plays a vital role in the politics of the internally self-governing state of Singapore. The unions have been in the forefront in developing political consciousness in this former British colony. The present Singapore People's Action party (PAP) government rode into office in June 1959 as the champion of the "exploited workers of Singapore." For 17 months, however, the moderate democratic socialists who head both the government and the party machinery have been in competition with a pro-Communist wing of PAP for dominance of the trade union movement.

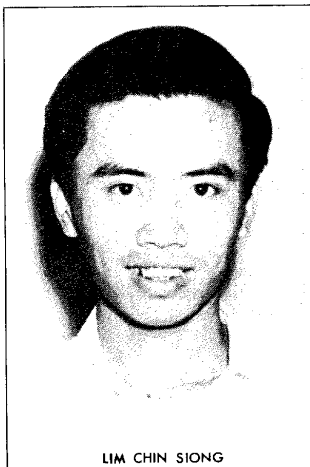
Although the government has devoted top priority to building its position in the labor movement, it appears to be losing ground to the extremists. The extremists may ultimately dominate the Singapore Trades Union Congress (STUC), the grouping conceived by the government as its principal instrument through which to exercise control over labor.

PAP Factions

Since the formation of PAP in 1954, its leaders have been ideologically split between a

non-Communist, democratic socialist wing and a Communist-infiltrated, perhaps Communist-controlled, extremist group. For a brief period in 1957, the extremists managed to wrest the leadership of the party from the moderate faction headed by Lee Kuan Yew, who now is prime minister. Lee and the moderates regained control of the party's formal organization when five of the extremists were arrested by the government in 1957. Despite their loss of power the pro-Communists retain strong support among the rank and file of the party and in the militant trade unions.

Strong assets of the extremist wing are the capabilities and reputation of its unchallenged leader, Lim Chin Siong. The 28-year-old Lim, a thoroughly trained Marxist and union organizer, is a hero of Singapore's Chinese youth and militant blue-collar workers. He was one of the founding members of PAP, and in 1955, at the age of 22, he was one of three PAP members elected to the legislative assembly. In October 1956, the Singapore Government arrested Lim after he had instigated a wave of political strikes and riots. Lim's integrity, anti-colonial record, identification with Chinese Communist policies and



LIM CHIN SIONG



FONG SWE E SUAN



LEE KUAN YEW

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objectives, and espousal of radical social and economic policies make him exceedingly attractive to Singapore's Chinese masses.

After the PAP electoral victory in June 1959, the moderates took a calculated risk and released Lim and seven of his colleagues who had been detained by the previous government. The government's tactic was to maneuver these men into accepting government positions where they would be under surveillance and associated with responsibility for government policy.

While Lim and his close associate Fong Swee Suan accepted posts as political secretaries to government ministers, they immediately resumed their struggle for political ascendancy. The battle, conducted mainly behind the scenes, has its present focus in the contest for control over the trade union movement. Since the opposition parties are weak and disorganized, the outcome of PAP's intramural struggle will probably determine the course of political developments in Singapore.

Government Policy

The government's trade union policy has two closely related objectives: to contain Communist activity in the unions, and to maintain industrial peace in order to create business confidence and attract critically needed investment for Singapore's industrial expansion program. An unpublicized but privately acknowledged concomitant of this policy is the need to reduce the wage level of Singapore workers by 10 to 20 percent so that labor costs will be more competitive with those of Hong Kong and Japan.

The PAP government has hesitated to take firm steps

to curb labor disputes and keep wage levels from rising. It has moderated its pre-electoral radicalism and is pinning its hopes on attracting private investment for industrial development.

The island's rapidly expanding population--growing at an annual rate of around 4 percent--is outpacing present trade and productive capacities. At least 10 percent of the labor force is already unemployed, and 25,000 new workers enter the labor market annually. The core of the problem is that Singapore's entrepot trade is threatened by the economic nationalism and development of its traditional trading partners, Malaya and Indonesia. Both countries are increasingly attempting to bypass Singapore and establish direct channels of trade. With the long-range prospect for an expansion of trade rather dim, the government is determined to create conditions favorable for the private investor. Its program of labor peace with justice is essential to this effort.

While PAP extremists give lip service to the government's program, they have devoted their energies to circumventing and frustrating it. Lim Chin Siong and his associates aim at building a power base in the trade union movement of such magnitude that they would be able, through a wave of strikes and violence, to dictate to, or topple, any government.

In order to achieve this strength, however, Lim must wage an aggressive campaign to secure higher wages and benefits in order to maintain the momentum of his organizing drives. Recent developments attest to the vigor with which he is pursuing his objective. Unions under extremist control launched a series of strikes between December 1959 and July 1960 in

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which the man-days lost reached a new high since 1957 for a six-month period, and, contrary to government policy, it appears that wage levels may increase.

To carry out its labor policies, two major government bills were passed by the legislative assembly: the Trade Union Ordinance designed to control trade unions by building a monolithic labor organization under the control of a government-dominated Singapore Trades Union Congress (STUC), and the Industrial Relations Ordinance providing for a compulsory arbitration court.

Neither ordinance has been implemented. The labor court has not been established and the Trades Union Ordinance was withdrawn before it was signed by the Chief of State because the government discerned that without additional safeguards the STUC might become a Frankenstein controlled by the Communists. The bill is being redrafted, however, and plans to federate all unions under STUC apparently have not been abandoned.

Proposed Role of STUC

When the PAP government came to office, there were 225 trade unions, many with memberships of less than 250. Since then the government has withdrawn certification from more than 90 unions on the grounds that they were splinter, duplicate, or otherwise illegal unions. It has used its decertification powers to force unions dominated by extreme leftists to join a reorganized STUC in which unions will be consolidated into some 19 federations on the basis of craft or specialty.

Lim Chin Siong and Fong Swee Suan have proved to be first-rate organizers as well as tough negotiators in coming to terms

with STUC. Since June 1959, Lim has expanded the membership of his Singapore General Employee's Union (SGEU) from 3,000 to 25,000. Membership of unions under extreme leftist leaders is estimated to total between 50,000 and 60,000. These unions represent the militant, blue-collar workers in the industrial, port, and transportation sectors of the economy.

G. Kandasamy, secretary general of STUC and the PAP-appointed coordinator for the labor unification program, is no match for Lim. Kandasamy and other moderate STUC leaders are mainly government and commercial workers. Their brand of white-collar trade-unionism has little appeal among the more



militant ranks of labor, and Kandasamy has lost considerable prestige for not defending his own government employees' unions against a pay cut.

Lim has driven a hard bargain in agreeing to bring his unions into STUC. He took a leading role in working out the terms of STUC's structure, and on 27 April he maneuvered himself and four extremists--who were jailed in 1957--onto the important 10-member secretariat. While the three top-

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officers of STUC are moderates, the composition of the secretariat is precariously balanced, and Kandasamy has little influence over his more vocal and abler colleagues. The weight of the extreme leftists within STUC is reflected in strikes, public pronouncements, and demands for wage increases, all of which run counter to government policy.

Prospects

PAP moderates, who were optimistic in believing they could contain the crypto-Communists when they launched their labor policy in June 1959, now are apprehensive. Although Prime Minister Lee in August reportedly felt that he had lost the battle with Lim for dominance of the labor movement, he has since issued several stern warnings putting the extremists on notice that the government would not countenance disruptive tactics.

During recent months the struggle has come more to the surface, and PAP moderates are taking a harder line that may lead to an open clash with Lim. In May, PAP withdrew certification from four trade union groups under Lim's control. During a strike in July, Prime Minister Lee intervened person-

ally against the demands of a leftist-controlled union. This month, the government may take a much bolder step by arresting a number of subversives, some of whom are left-wing trade unionists. The cabinet has instructed Kandasamy to ignore a Lim-sponsored resolution adopted by STUC which would require STUC to withdraw from the International Confederation of Trade Unions on the grounds that it follows a policy of nonalignment.

Much will depend on Lim's reaction to the government's harder line. He is probably able to launch disruptive strikes and demonstrations that could force the government to take repressive action and thus be cast in the politically damaging role of an enemy of labor. Lim and his associates would almost certainly again be jailed, however.

Lim will probably not put the government to a test but will continue quietly to adjust to, and attempt to circumvent, whatever restrictive labor legislation the government devises. Lim probably feels that time is on his side and that by the next election, in 1964, he may be in a commanding position in both the labor movement and the grassroots organization of PAP itself.

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